

An IFC Reports Interview with

Mr. Anwar Abdul Rahman Al-Jawdar, Chairman, National Offset Company

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For our special report on Kuwait



IFC REPORTS: The National Offset Program was created in 1992 and the National Offset Company was established in 2006, taking away the administrative burden from the Ministry of Finance. The NOC has come under some scrutiny in previous years for its effectiveness in attracting investment and spurring business partnerships. In 2010 the management was reshuffled and you were named as the new Chairman. Please explain the reasons behind this change in management and what difference you hope to make.

MR. ANWAR ABDUL RAHMAN AL-JAWDAR: With all due respect for my colleagues, who worked in the company before me, it is important to know what the NOC is doing – it transfers technology, know-how and it trains people, but how? We evaluate the strategy and the criteria for bringing offset obligations to Kuwait. The real objective of the National Offset Program is to develop long-term partnerships between third party companies with the private sector based on feasibility studies. We have been trying to convince big companies that already have vested interests in Kuwait to develop partnerships through the NOC. I aim to develop real partnerships between these big companies and the private sector in Kuwait. In order to do this we need to work out how these companies are going to get established over here.

Now I've finally managed to convince them that there are good opportunities in Kuwait – there is now a privatisation law and a development plan. Sheikh Ahmed Al-Fahad (the Deputy Prime Minister and Minister of Economic Affairs and Housing) is responsible for the development plan. I am working based on this plan and it is important to do this. However many of these laws do not take the Offset into account, so this is a challenge. My colleagues must get involved in that. I am fighting to get the Offset included in these laws.

The aim of the Offset is to develop partnerships and I would like partnerships to be developed alongside the privatisation that is occurring. According to the law, they will go directly to the companies listed on the Stock Exchange and they will bid. These companies will bring the expertise from outside. However they will not bring companies like Fedex because they are very expensive. According to the legislation, I can go directly with the Government through the obligation and bring them the 10 best companies in the world and tell them to choose one. The Government will look at the TR (Terms of Reference) and will look at the bidding between the companies.

According to my conditions in the Offset, I want the foreign company to be the leader of the company, not the Kuwaitis. This is the Offset's objective – so that Kuwaitis can learn. I am very strict about that. Unfortunately the law is not helping me with that, so I am trying to bring companies over directly to develop partnerships with Kuwaiti companies in every sector – in mail, entertainment and health for example.

I delivered these criteria to the World Bank and Ernst & Young, and discussed it with them and they provide us with their feedback. I also discussed it with my colleagues in Abu Dhabi and they are very happy with it as well. I am not waiting until these laws change because that takes time. I am working on developing these partnerships and I am happy that most firms are willing and they have already indicated that they are going to conduct feasibility studies for many projects and are happy to work with the Kuwaiti private sector. I am happy about that; it is a success story. Ever since 1992 everybody has been saying that it is difficult and nobody will agree. There are many opportunities, but Kuwaitis want the investment the easy way – they want the obligator to invest for 3-4 years and that's it, but this is not an offset. I ask the private sector (including various education organisations such as schools and colleges) why they are

accepting obligators and their money, if then after 5 years they end the relationship and start with a new obligator. I want them to develop partnerships with foreign companies so they can expand and be a distributor for the whole region.

IFC REPORTS: What particular incentives are you offering foreign investors?

MR. ANWAR ABDUL RAHMAN AL-JAWDAR: If you invest something, even if the amount is less than the Kuwaiti partner, according to my conditions the foreigner will run the business. Nobody will put money in if someone else is going to run their business. Foreign companies have the know-how and the technology, and if they run the business themselves they will be satisfied that their investment is in good hands.

IFC REPORTS: How is this being received by local Kuwaiti companies?

MR. ANWAR ABDUL RAHMAN AL-JAWDAR: They are happy because they want to learn. Many Kuwaiti companies do not have the know-how and the Offset is helping them get what they need.

IFC REPORTS: Are there any specific types of companies which are approaching the Offset?

MR. ANWAR ABDUL RAHMAN AL-JAWDAR: The development plan focuses on all industries including agriculture and tourism. I welcome companies from every sector and I am happy that the big international companies are now willing to partner with us and that there are already signs of success. I met someone recently who is in charge of the Offset globally and I convinced him to develop a partnership with Kuwait. He is happy with my ideas and I told him there are great opportunities here. For example, everyone expected the U.S. to win the World Cup 2022 bid and then Qatar won, and I told this man (James) that this is an opportunity to bring American companies who had already started working on world cup projects to come and share their know-how with Kuwaitis and make money here. Kuwait's location is very important – we are near to Iraq, Iran and Afghanistan and partnerships with Kuwaitis will enable companies to enter these markets.

I think Kuwait is very open-minded and we have clear laws and a Parliament. We were the first country in the Middle East to have a Parliament. Nobody in the region has the same institutions and parliament rules and this is very important. It concerns democracy. I think this is very important for foreign investment.

IFC REPORTS: At what stage are the negotiations for new offset partnerships and are there any examples you would care to highlight to our American readers?

MR. ANWAR ABDUL RAHMAN AL-JAWDAR: To date I have not reached any agreements. I have developed the criteria and I have already approached most of the big companies, and I am happy with that considering I have only been here since May 2010. When developing the criteria I formed a special task-team using members from the Kuwait Foreign Investment Bureau, the Ministry of Finance and the National Offset Company which helped develop the criteria step-by-step and we will be announcing all the details soon.

In terms of examples there is an English company that works with helicopters and computers and they want to develop a partnership with a Kuwaiti company and open up an office here to serve both Kuwait and the region, and we are going to announce this soon. I explained the criteria right from the beginning. The English company conducted a feasibility study and now we are going to announce that there is an opportunity for Kuwaitis to develop a partnership with this company under the condition that the local partner be an expert in the military sector with a specific minimum amount of capital.

We will then look at the Kuwaiti company's requirements and we will give them the feasibility study. If there are five or six Kuwaiti companies interested I will present them to the English company and the English company will choose its partner. I would prefer to have a consortium, but it depends on the company. I also want the Kuwaitis to work in the core of the business – I do not just want them working anywhere. I will also put an external auditor in who will report to me and who will ensure that this is being done. I want it to be an offset project.

I do not want the foreign company to come for a few years and then disappear – I want long-term partnerships and I want to be sure. I want to be informed if there are any issues within the company because these companies are my 'babies' so to say. I can help them through the Foreign Investment Office and they will develop the partnership according to the law which includes a 10 year tax-free period. This is one of the incentives when it comes to investing in Kuwait.

There is also an opportunity for a foreign investor to purchase land through the NOC or through the Ministry of Commerce and Industry, under the Public Industry Authority which is independent but is part of the Ministry of Commerce and Industry. This is not a promise, but we will definitely help them try.

IFC REPORTS: You had the first Kuwait Offset Conference scheduled for the end of last year, but I understand it was cancelled. What was the reason for this?

MR. ANWAR ABDUL RAHMAN AL-JAWDAR: Quite simply the management and rules changed and the NOC changed its priorities. My principles are to be clear, transparent and honest.

IFC REPORTS: Are you communicating this in any particular way to foreign investors at the moment?

MR. ANWAR ABDUL RAHMAN AL-JAWDAR: I am already communicating with them. From day one I sent out letters and I am communicating with them via e-mail or at meetings. I want to discuss things. I am not a dictator, but I am willing to make these partnerships successful. I aim to do this, and if I do not, I will resign. This is my job and they chose me based on my expertise.

IFC REPORTS: I would like to finish the interview by bringing it to a more personal level. Given your previous and current roles as Deputy Chairman of DIZART and Assistant Secretary General, what kind of leadership style are you going to bring to the National Offset Company?

MR. ANWAR ABDUL RAHMAN AL-JAWDAR: We have some good members of staff and I am giving them the know-how. They used to evaluate every project on finance, not partnership through obligations, but I stopped that. I am trying to teach them new ways of dealing with partnerships. We do not want an accountant – this is socioeconomics and I want them to always think about what we need in Kuwait. We have shortages so you have to choose projects from the development plan, such as infrastructure for instance. I have to teach them how to convince the big companies to invest in these sectors. We also have to follow-up with these companies.

I am trying to teach my colleagues how to think about these things – if you work with the criteria, it is easy and anybody can make it work, but the most difficult thing is trying to convince these companies to come over and invest. If we are sincere we will achieve our objective.

IFC REPORTS: Thank you very much.